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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

KRISTIN K. MAYES - Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE APPLICATION OF  
LAGOON ESTATES WATER COMPANY, INC.  
FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-01825A-09-0345

PROCEDURAL ORDER

**BY THE COMMISSION:**

On July 2, 2009, Lagoon Estates Water Company, Inc., ("Lagoon") filed with the Arizona Corporation Commission ("Commission") an application for a rate increase, requesting an increase in revenues of \$30,000, or approximately 15 percent, over unaudited 2008 test year ("TY") operating revenues of \$199,609. Lagoon stated that it operated at a loss during the TY and showed an operating loss for the TY of \$6,281. Lagoon stated that it had mailed notice to each of its customers contemporaneously with filing its application. The customer notification included in the application states that Lagoon realized an operating loss of \$30,055 during the TY.

On July 22, 2009, Lagoon made a filing to revise a portion of its application.

On August 13, 2009, the Commission's Utilities Division Staff ("Staff") issued a Letter of Deficiency requesting additional data, and Lagoon made another filing to revise a portion of its application. Lagoon has not docketed any subsequent filings in this matter.

On November 25, 2009, Staff issued a Letter of Sufficiency, classifying Lagoon as a Class D utility.

It appears that the notice Lagoon provided to its customers contains inaccurate information and may be misleading, in that it states Lagoon had a TY operating loss of \$30,055, approximately equal to the \$30,000 revenue increase requested. This is inconsistent with Lagoon's reported TY operating loss of \$6,281.<sup>1</sup> Because of the significant difference in the TY operating loss figures

<sup>1</sup> When calculated using the revenue and expense figures provided by Lagoon, the TY operating loss appears actually to be \$6,259.

provided to Lagoon's customers and actually reported by Lagoon, Lagoon's initial customer notice is deficient, and it is necessary to require Lagoon to provide additional notice.

In addition, because Lagoon has not filed additional documents in this docket, although it has probably provided additional documents to Staff, it is appropriate to require Staff to docket copies of any documents provided to Staff by Lagoon that have not yet been docketed, so that the documents may be considered in this case.

IT IS THEREFORE ORDERED that **Lagoon shall provide each of its customers notice** of this matter in the following format and style, with the heading in at least 12-point bold type and the body in at least 10-point regular type:

**NOTICE OF LAGOON ESTATES WATER COMPANY, INC.'S**  
**APPLICATION FOR APPROVAL OF A RATE INCREASE**  
**Docket No. W-01825A-09-0345**

On July 2, 2009, Lagoon Estates Water Company, Inc., ("Lagoon") filed with the Arizona Corporation Commission ("Commission") an application for a rate increase, requesting an increase in revenues of \$30,000, or approximately 15 percent, over unaudited 2008 test year ("TY") operating revenues of \$199,609. Lagoon's reported unaudited TY revenues and expenses reflect an operating loss of \$6,259.

Lagoon's proposed rates would increase each customer's monthly minimum charge by \$5; would increase each commodity charge for water usage for meters 1" or smaller by 25¢ per 1,000 gallons; would increase each commodity charge for water usage for meters 2" or larger by 40¢ per 1,000 gallons for the first 3,000 gallons and by 50¢ per 1,000 gallons for usage over 3,000 gallons; and would change the authorized monthly late fee from 1.5% of the unpaid balance to a flat \$5 per month.

Lagoon's application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street and at Lagoon's offices at [insert address] or online at <http://edocket.azcc.gov/edocket/>.

Customer input is an important part of the Commission's analysis of the requested rates and is a factor in determining whether a hearing will be conducted. Customers should bring to the Commission's attention any questions or concerns related to Lagoon's application, as well as any other concerns with Lagoon's operations, such as concerns related to service, billing procedures, or other factors important in determining the reasonableness of charges. Written comments may be submitted via e-mail (visit [http://www.azcc.gov/divisions/utilities/forms/public\\_comment.pdf](http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf) for instructions) or by mailing a letter referencing Docket No. W-01825A-09-0345 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, Arizona 85007. If you require assistance, you may contact the Commission's Consumer Services Section at 800-222-7000 (if located outside the Phoenix local calling area) or 602-542-4251 (in the Phoenix local calling area). Customers may also contact the Tucson Commission office at 800-535-0148 (if located outside the Tucson local calling area) or 520-628-6555 (in the Tucson local calling area).

Customers may have the right to intervene in this matter. Customers wishing to request information on intervention in the proceeding should contact the Commission's Consumer Services Section at the numbers provided above.

It is important that customers submit any written comments to the Commission promptly so that the Commission's Staff can consider customer comments and concerns in developing Staff's recommendations to the Commission. Customers are advised that the Commission may act upon the application without a hearing. Regardless of whether a hearing is held, customer comments submitted in writing will be placed in the file, which the Commission reviews prior to making its final decision on the application. Customers should be aware that the Commission is not bound by the proposals made by Lagoon, Staff, or any intervenors and that the rates and charges ultimately approved by the Commission may be higher or lower than those proposed by Lagoon or recommended by Staff.

IT IS FURTHER ORDERED that **Lagoon shall, by January 4, 2010**, send a copy of the above notice to each of its customers by First Class U.S. Mail.


IT IS FURTHER ORDERED that **Lagoon shall, by January 19, 2010**, file certification of mailing notice to its customers, which shall include one complete sample notice letter.

IT IS FURTHER ORDERED that **Staff shall, by January 4, 2010**, file with Docket Control a copy of each document provided to Staff by Lagoon that has not yet been docketed in this matter.

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 4th day of December, 2009.

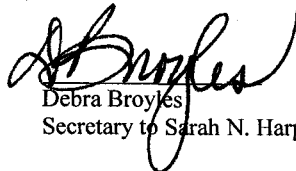
  
SARAH N. HARPRING  
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered  
this 4th day of December, 2009, to:

Stanley Miller, Controller  
LAGOON ESTATES WATER COMPANY, INC.  
2600 North 44<sup>th</sup> Street, Suite 208  
Phoenix, AZ 85008

Janice Alward, Chief Counsel, Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

Steven M. Olea, Director, Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

By:   
Debra Broyles  
Secretary to Sarah N. Harpring